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*Attorneys for Debtors
and Debtors in Possession*

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

-----	X	
	:	
In re	:	Chapter 11
	:	
SEARS HOLDINGS CORPORATION, et al.,	:	Case No. 18-23538 (RDD)
	:	
Debtors.	:	(Jointly Administered)
	:	
-----	X	

**DECLARATION OF MOHSIN Y. MEGHJI
IN SUPPORT OF THE DEBTORS' SUPPLEMENTAL
MOTION TO ENFORCE THE ASSET PURCHASE AGREEMENT**

I, Mohsin Y. Meghji, make this declaration under 28 U.S.C. § 1746:

1. I submit this Declaration in support of the *Debtors' Supplemental Memorandum of Law in Support of Debtors' Brief in Opposition to Transform Holdco LLC's Adversary Complaint and in Further Support of Debtors' Supplemental Motion to Enforce the Asset Purchase Agreement* (ECF No. 4973) (the "**Brief**").¹

¹ Capitalized terms used but not otherwise defined herein shall have the respective meanings ascribed to such terms in the Debtors' Brief in Opposition to Transform Holdco LLC's Adversary Complaint and in Further Support of Debtors' Supplemental Motion to Enforce the Asset Purchase Agreement or the *Order (I) Approving the Asset Purchase Agreement Among Sellers and Buyer, (II) Authorizing the Sale of Certain of the Debtors' Assets Free and Clear of Liens, Claims, Interests and Encumbrances, (III) Authorizing the Assumption and Assignment of*

2. I am the Chief Restructuring Officer (“**CRO**”) of Sears Holdings Corporation and its affiliated debtors and debtors in possession in the above-captioned chapter 11 cases (collectively, the “**Debtors**” and, together with their non-debtor affiliates, the “**Company**” or “**Sears**”).² I am also the Managing Partner of M-III Advisory Partners, LP (“**M-III**”). I have more than 25 years of financial restructuring, interim management, turnaround, and management consulting experience across a wide variety of industries, including, but not limited to, the retail and real estate industries.

3. In October 2018, Sears retained M-III to provide the Debtors with a CRO and to provide the Debtors and their other professionals with financial advisory services in connection with the Company’s evaluation and development of strategic alternatives to wind-down and liquidation.

4. As CRO, I provide strategic business advice to the Restructuring Committee of the Company’s Board of Directors in connection with the Debtors’ chapter 11 cases. Further, I am

Certain Executory Contracts, and Leases in Connection Therewith and (IV) Granting Related Relief [ECF No. 2507] as applicable.

² The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, are as follows: Sears Holdings Corporation (0798); Kmart Holding Corporation (3116); Kmart Operations LLC (6546); Sears Operations LLC (4331); Sears, Roebuck and Co. (0680); ServiceLive Inc. (6774); SHC Licensed Business LLC (3718); A&E Factory Service, LLC (6695); A&E Home Delivery, LLC (0205); A&E Lawn & Garden, LLC (5028); A&E Signature Service, LLC (0204); FBA Holdings Inc. (6537); Innovel Solutions, Inc. (7180); Kmart Corporation (9500); MaxServ, Inc. (7626); Private Brands, Ltd. (4022); Sears Development Co. (6028); Sears Holdings Management Corporation (2148); Sears Home & Business Franchises, Inc. (6742); Sears Home Improvement Products, Inc. (8591); Sears Insurance Services, L.L.C. (7182); Sears Procurement Services, Inc. (2859); Sears Protection Company (1250); Sears Protection Company (PR) Inc. (4861); Sears Roebuck Acceptance Corp. (0535); SR – Rover de Puerto Rico, LLC (f/k/a Sears, Roebuck de Puerto Rico, Inc.) (3626); SYW Relay LLC (1870); Wally Labs LLC (None); SHC Promotions LLC (9626); Big Beaver of Florida Development, LLC (None); California Builder Appliances, Inc. (6327); Florida Builder Appliances, Inc. (9133); KBL Holding Inc. (1295); KLC, Inc. (0839); Kmart of Michigan, Inc. (1696); Kmart of Washington LLC (8898); Kmart Stores of Illinois LLC (8897); Kmart Stores of Texas LLC (8915); MyGofer LLC (5531); Rover Brands Business Unit, LLC (f/k/a Sears Brands Business Unit Corporation) (4658); Sears Holdings Publishing Company, LLC. (5554); Sears Protection Company (Florida), L.L.C. (4239); SHC Desert Springs, LLC (None); SOE, Inc. (9616); StarWest, LLC (5379); STI Merchandising, Inc. (0188); Troy Coolidge No. 13, LLC (None); BlueLight.com, Inc. (7034); Sears Brands, L.L.C. (4664); Sears Buying Services, Inc. (6533); Kmart.com LLC (9022); Sears Brands Management Corporation (5365); and SRe Holding Corporation (4816). The location of the Debtors’ corporate headquarters is 3333 Beverly Road, Hoffman Estates, Illinois 60179.

responsible for carrying out the Debtors' chapter 11 strategy and objectives. I am knowledgeable about and familiar with the Debtors' day-to-day operations, business and financial affairs, books and records, and the circumstances leading to the commencement of these chapter 11 cases. I was also personally involved in, and served as the Debtors' lead negotiator, alongside Lazard Frères and Weil, Gotshal & Manges LLP, in connection with the Debtors' negotiations with Transform Holdco LLC ("**Transform**"), which ultimately led to the Asset Purchase Agreement ("**APA**"), dated January 17, 2019.

5. Except as otherwise indicated, all statements in this Declaration are based on my personal knowledge of the Debtors' operations and finances gleaned during the course of my engagement with the Debtors, my discussions with the Debtors' senior management, other members of the M-III team, and the Debtors' other advisors, and my review of relevant documents and/or my views based upon my experience. If called to testify, I could and would testify to each of the facts set forth herein based on such personal knowledge, discussions, review of documents, and/or views.

Available Cash

6. As noted above, I was a lead negotiator for the Debtors in connection with the APA negotiations. Based on that role, it is my view that the Aggregate DIP Shortfall Amount provision was negotiated with the understanding that the Debtors had to meet the DIP Facility pay down target of \$1.2 billion, and that the "cash available" at the time of Closing that would be part of the Aggregate DIP Shortfall Amount was the "cash available" to effectuate that pay down.

7. The Debtors always understood that the only "cash available" to pay down the DIP Facility was cash in the Concentration Accounts. Cash-In-Transit, including cash in regional banks, was not in the Concentration Accounts at the Closing Date, and thus was not considered

“available cash,” under the definition of that term that the Debtors had historically and consistently used, including in numerous communications with the Buyer. *See, e.g.*, Email from R. Prakash to E. Lampert, *et al.*, dated October 19, 2018 (explaining that “unavailable cash” includes “cash in stores, cash in transit, etc.”), a true and correct copy of which is attached hereto as **Exhibit A**; Emails between K. Kamalani and R. Prakash, *et al.*, dated Nov. 2, 2018 (identifying some components of unavailable cash and explaining “[t]hat cash has not yet reached company’s concentration account for us to be able to use it”), true and correct copies of which are attached hereto as **Exhibit B**.

8. The Debtors never agreed that “Available Cash” at the Closing Date for purposes of the APA meant cash available at any time after the Closing Date that could be used to pay down liabilities. Rather, it always meant cash available at the Closing Date to pay down the DIP. In fact, ESL’s January 9, 2019 bid letter explains that it was cash available to pay down the DIP. Kamalani Decl. Ex. C (“In the event that the sum of the amounts outstanding under debtor’s first lien ABL DIP facility and debtor’s junior DIP facility (net of any cash available to pay down such amounts) is less than \$1.2 billion at the time of closing the proposed transactions, Buyer’s obligation to assume the foregoing liabilities shall be reduced dollar-for-dollar to the extent of such shortfall . . .”).

9. The Debtors tried hard to accelerate the process of converting Unavailable Cash to make it Available Cash. *See, e.g.*, Email from M. Meghji to R. Prakash, dated Nov. 2, 2018, a true and correct copy of which is attached as **Exhibit C** (“We should def figure out how bring cash in regional banks back to hq even if it involves some expense.”). Despite these efforts, the Debtors could not operationally achieve getting all Unavailable Cash. It was not as easy as simply calling a regional bank and telling it to wire cash—on a practical level, that was not operationally feasible.

10. The Debtors ended up going over the DIP Balance needed to close by approximately \$243,000. Specifically, in our effort to accelerate Unavailable Cash and make it Available Cash by getting it into the Concentration Accounts where it was swept, we overpaid by approximately \$243,000. So we did not hit the \$850,000,000 on the head exactly, but overpaid by about \$243,000, which is what entitled Buyer to a setoff in the amount of approximately \$243,000.

11. I have no recollection of the discussion that Mr. Riecker claims he was told occurred between me and another person—namely, Mr. Prakash—regarding whether or not to highlight in a cover email for the Daily Cash forecast the fact that we were delaying payments. *See Riecker Decl.* ¶ 13 [ECF No. 4772]. However, I will note that several times since the filing in October, the Debtors’ advisors and management had considered whether it was appropriate to continue sharing this type of information with ESL (as the buyer) and each time we decided to continue and did so. To the extent Mr. Prakash was referring to one of these discussions, as is evident from the fact that the February 4, 2019 Daily Cash Forecast advised Buyer of our plan to delay vendor payments, we ultimately decided to share this information with Buyer, as we continued to do all the way through the Closing. Finally, I also note that Mr. Prakash was my subordinate. As the Debtors’ CRO, if I had wanted to stop this information from being shared with Buyer, I could have done so. I did not.

Ordinary Course

12. The lead negotiator for the Buyer, Kunal Kamlani, told me as we concluded our negotiations of the APA that the Debtors should do whatever was necessary to manage the accounts payable in order to get to the \$850,000,000 DIP Indebtedness amount. Mr. Kamlani gave the Debtors the tacit approval to do that up front, when we negotiated that closing condition.

Consistent with that discussion, in the lead-up to the Closing, Mr. Kamlani told me that the Debtors should focus on paying down the DIP, and do whatever was necessary to achieve that goal.

13. The Buyer was in regular communication with the Debtors in the time period leading up to the Debtors' decision to delay vendor payments prior to the Closing, as the parties were jointly litigating for approval of the proposed sale, and simultaneously coordinating for a potential February 8 closing in the event that the sale was approved.

14. The fact that the Debtors were planning to delay certain vendor payments before the Closing Date was known and understood by the Buyer before it happened, and is consistent with how the Debtors ran the business pre-petition in the ordinary course.

15. As Mr. Riecker acknowledged in his recent declaration, in the February 4, 2019 Daily Cash Flow Forecast cover email, Buyer—including Mr. Lampert and Mr. Kamlani—was specifically told that “[i]n order to manage 1L outstanding on Feb 8th, we are delaying certain payments contractually due on Feb 5th, Feb 6th, Feb 7th, by 3 business days.” *See* Riecker Decl. ¶ 13 & Ex. E [ECF No. 4772]. In other words, before the Debtors delayed these payments, the Buyer was specifically told exactly what the Debtors were planning to do with respect to these payments and why. I am not aware of anyone at ESL or any of its advisors ever calling either me or anyone else at M-III to say the Debtors should not proceed with its plan to delay vendor payments, or that doing so would be a breach of the agreement.

16. After the Debtors made clear to the Buyer that they intended to delay these vendor payments, the Debtors took the Buyer's silence to mean they approved of this decision. The Debtors therefore proceeded to delay certain vendor payments in order to maintain the DIP balance—as they told the Buyer they intended to do—having no expectation whatsoever that the Buyer would later sue them for doing so.

I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge.

Dated: August 23, 2019
New York, New York

/s/ Mohsin Y. Meghji

Mohsin Y. Meghji
Chief Restructuring Officer and Managing
Partner
M-III Advisory Partners, LP

EXHIBIT A

From: [Eddie](#)
To: [Prakash, Rajat](#)
Cc: [rob.riecker](#); [mmeghji@miiipartners.com](#); [Robert.Phelan@searshc.com](#); [William.Linnane@searshc.com](#); [Thomas.Koreis@searshc.com](#); [cgood@miiipartners.com](#); [jfrantz@miiipartners.com](#); [Nicholas.Weber](#); [bgriffith@miiipartners.com](#); [Wehby, Andrew](#); [Espinosa, Daniel](#); [Hutka, Jeffrey](#); [Naren.Sinha@searshc.com](#); [kunal@eslinvest.com](#); [Wells, Paris](#); [Joye, Jennifer](#); [Khan, Aziz](#)
Subject: Re: PRELIM Daily Cash Forecast - 10.19.18
Date: Friday, October 19, 2018 9:56:10 PM

Am I reading this correctly in that it suggests that we beat "budget" by about \$120mm this week?

Also, do we have visibility to whether we can repeat this outperformance next week as well or are there payments we didn't make this week that will be made next week?

Given the budget was created at -15% sales and sales have been doing better than that, does that provide additional upside to the budget?

> On Oct 19, 2018, at 10:50 PM, Prakash, Rajat <Rajat.Prakash@searshc.com> wrote:

>

> Yes, cash in escrow is a big component of unavailable cash. Also, this is based on pre-petition balance sheet. Once the post-petition balance is completed, this number should be adjusted downward, since it includes cash in stores, cash in transit, etc.

>

> We will review the format of this report to closely align with the prior daily cash forecast.

>

> Thx

>

>> On Oct 19, 2018, at 9:34 PM, Eddie <Eddie@eslinvest.com> wrote:

>>

>> Is the \$280mm for pension in this cash number?

>>

>> On Oct 19, 2018, at 10:25 PM, Prakash, Rajat

<Rajat.Prakash@searshc.com<<mailto:Rajat.Prakash@searshc.com>>> wrote:

>>

>> All

>>

>> Attached is the preliminary daily cash forecast through 10/26/18

>>

>> Please note the following next steps in the process:

>>

>> . Attached includes comparison of certain key metrics with the DIP budget for this week

>>

>> o Next week, we will introduce comparison with the budget at the daily and MTD levels

>>

>> . We are working towards expanding this through the end of the year by next week

>>

>> We welcome inputs as we are designing the new process/report.

>>

>> Thanks,

>>

>> Rajat Prakash

>> Sears Holdings Corporation

>> Treasury

>> 847.286.2288

>>

>> This message, including any attachments, is the property of Sears Holdings Corporation and/or one of its subsidiaries. It is confidential and may contain proprietary or legally privileged information. If you are not the intended recipient, please delete it without reading the contents. Thank you.

>> <Daily Cash Fcst - 10.19.xlsx>

> This message, including any attachments, is the property of Sears Holdings Corporation and/or one of its subsidiaries. It is confidential and may contain proprietary or legally privileged information. If you are not the intended recipient, please delete it without reading the contents. Thank you.

This message contains information which may be confidential and privileged. Unless you are the intended addressee (or authorized to receive for the intended addressee), you may not use, copy or disclose to anyone the message or any information contained in the message. If you have received the message in error, please advise the sender by reply email or by calling 212-716-1491 and delete the message.

EXHIBIT B

From: kunal@eslinvest.com
Sent: Friday, November 2, 2018 7:56 PM
To: Prakash, Rajat
Cc: mmeghji@miiipartners.com; Eddie; rob.riecker; Naren.Sinha@searshc.com; Robert.Phelan@searshc.com; William.Linnane@searshc.com; Thomas.Koreis@searshc.com; bgriiffith@miiipartners.com; cgood@miiipartners.com; Nicholas Weber; jfrantz@miiipartners.com
Subject: Re: Prelim Daily Cash Forecast 11.1.2018

I suspect there is a way to get to that 59...we should definitely figure that out.

> On Nov 2, 2018, at 8:45 PM, Prakash, Rajat <Rajat.Prakash@searshc.com> wrote:

>

> Example, Cash in an oklahoma store was picked up by armored car and deposited in the local bank.

>

> That cash has not yet reached company's concentration account for us to be able to use it.

>

>> On Nov 2, 2018, at 7:42 PM, Kunal Kamalani <kunal@eslinvest.com> wrote:

>>

>> What is the cash in regional banks for?

>>

>> On Nov 2, 2018, at 8:33 PM, Prakash, Rajat <Rajat.Prakash@searshc.com<mailto:Rajat.Prakash@searshc.com>> wrote:

>>

>> Kunal,

>>

>> Please see the specific components of Unavailable Cash followed by some callouts:

>>

>> · Cash in escrow \$281 M

>>

>> · Credit card receivables 60

>>

>> · Cash posted as collateral 5

>>

>> · Invested Cash 12

>>

>> · Cash in regional banks 59

>>

>> · Cash in stores 20

>>

>> · Total Unavailable Cash (11/2) \$437 M

>>

>> Key Callouts:

>>

>> o Total cash on the balance sheet is a GAAP metric and therefore credit card receivables are included here

>>

>> o We can only have exact visibility into this as frequently as company's books close, which is once a month

>>

>> o Fiscal October closed today, and the preliminary balance sheet should be available around Nov 9th, which is when we will have exact balances of all these components as of Nov 2nd

>>

>> o All intra month components (excl. Cash in escrow) are estimates, however Cash posted as Collateral, Invested Cash, and Cash in Stores, generally tend to remain stable at the levels shown above

>>

>> o We will look into freeing up cash in the collateral & investment buckets

>>

>> o Cash in regional banks and stores could potentially be freed up by working with armored cars, banks, etc. but it might require additional expense

>>

>> Thanks,

>>

>> Rajat Prakash

>> Sears Holdings Corporation

>> Treasury

>> 847.286.2288

>>

>> From: Kunal Kamani [mailto:kunal@eslinvest.com]

>> Sent: Friday, November 02, 2018 4:18 PM

>> To: mmeghji@miiipartners.com<mailto:mmeghji@miiipartners.com>;

>> Prakash, Rajat

>> <Rajat.Prakash@searshc.com<mailto:Rajat.Prakash@searshc.com>>

>> Cc: eddie@eslinvest.com<mailto:eddie@eslinvest.com>; Riecker, Rob

>> <Rob.Riecker@searshc.com<mailto:Rob.Riecker@searshc.com>>; Sinha,

>> Naren <Naren.Sinha@searshc.com<mailto:Naren.Sinha@searshc.com>>;

>> Phelan, Robert

>> <Robert.Phelan@searshc.com<mailto:Robert.Phelan@searshc.com>>;

>> Linnane, William

>> <William.Linnane@searshc.com<mailto:William.Linnane@searshc.com>>;

>> Koreis, Thomas

>> <Thomas.Koreis@searshc.com<mailto:Thomas.Koreis@searshc.com>>;

>> bgriffith@miiipartners.com<mailto:bgriffith@miiipartners.com>;

>> cgood@miiipartners.com<mailto:cgood@miiipartners.com>;

>> nweber@miiipartners.com<mailto:nweber@miiipartners.com>; Joseph

>> Frantz <jfrantz@miiipartners.com<mailto:jfrantz@miiipartners.com>>

>> Subject: RE: Prelim Daily Cash Forecast 11.1.2018

>>

>> The question I have is with respect to what we are assuming our free cash is today that is baked into the Liquidity forecast. As of yesterday we had:

>>

>> Avail Cash 333

>> Unavail 437

>> In the Unavail is Pension Escrow of 280, so that leaves 157 of remaining unavailable.

>>

>> As we close stores some of that 157 will shake loose. There may be components of the 157 that we do have access to. Trying to figure out what the real starting cash number is....its 333 + ??

>>

>> KSK

>>

>> From: Mohsin Meghji

>> <mmeghji@miiipartners.com<mailto:mmeghji@miiipartners.com>>

>> Sent: Friday, November 2, 2018 4:56 PM

>> To: Prakash, Rajat
>> <Rajat.Prakash@searshc.com<mailto:Rajat.Prakash@searshc.com>>
>> Cc: Kunal Kamalani <kunal@eslinvest.com<mailto:kunal@eslinvest.com>>;
>> Eddie <Eddie@eslinvest.com<mailto:Eddie@eslinvest.com>>; rob.riecker
>> <rob.riecker@searshc.com<mailto:rob.riecker@searshc.com>>;
>> naren.sinha
>> <naren.sinha@searshc.com<mailto:naren.sinha@searshc.com>>; Phelan,
>> Robert <Robert.Phelan@searshc.com<mailto:Robert.Phelan@searshc.com>>;
>> Linnane, William
>> <William.Linnane@searshc.com<mailto:William.Linnane@searshc.com>>;
>> Koreis, Thomas
>> <Thomas.Koreis@searshc.com<mailto:Thomas.Koreis@searshc.com>>; Brian
>> Griffith
>> <bgriffith@miiipartners.com<mailto:bgriffith@miiipartners.com>>;
>> Chris Good <cgood@miiipartners.com<mailto:cgood@miiipartners.com>>;
>> Nicholas Weber
>> <nweber@miiipartners.com<mailto:nweber@miiipartners.com>>; Joseph
>> Frantz <jfrantz@miiipartners.com<mailto:jfrantz@miiipartners.com>>
>> Subject: Re: Prelim Daily Cash Forecast 11.1.2018
>>
>> Brian,
>> Can you and Rajat and Joseph pls get Kunal everything he needs on
>> liquidity scenarios we ran and showed this pm?
>>
>> Critical we have flushed any data discrepancies out before early next
>> week. Thx Mo Meghji M-III Partners, L.P.
>> 130 West 42nd Street, 17th Floor
>> New York, NY 10036
>>
>> 212 716 1492 (o)
>> 516 851 8266 (c)
>>
>> On Nov 2, 2018, at 4:22 PM, Prakash, Rajat <Rajat.Prakash@searshc.com<mailto:Rajat.Prakash@searshc.com>>
wrote:
>> Kunal,
>>
>> Following up on the email exchange this morning.
>>
>> Attached is the Feb 1 Dip Availability reconciliation between 10/31 & 11/1 daily cash forecasts. Merchandise
disbursements forecast in the 11/1 daily cash forecast caught up with the inventory assumptions driving the sales
forecast.
>>
>> Naren & MIII are working on the by-day change in sales going from (15)% to flat comp sales, per your highlighted
request below.
>>
>> Let us know of any questions.
>>
>> Thanks,
>>
>> Rajat Prakash
>> Sears Holdings Corporation
>> Treasury
>> 847.286.2288

>>

>> From: Kunal Kamalani [mailto:kunal@eslinvest.com]

>> Sent: Friday, November 02, 2018 7:15 AM

>> To: Prakash, Rajat

>> <Rajat.Prakash@searshc.com<mailto:Rajat.Prakash@searshc.com>>;

>> eddie@eslinvest.com<mailto:eddie@eslinvest.com>; Riecker, Rob

>> <Rob.Riecker@searshc.com<mailto:Rob.Riecker@searshc.com>>; Sinha,

>> Naren <Naren.Sinha@searshc.com<mailto:Naren.Sinha@searshc.com>>;

>> Phelan, Robert

>> <Robert.Phelan@searshc.com<mailto:Robert.Phelan@searshc.com>>;

>> Linnane, William

>> <William.Linnane@searshc.com<mailto:William.Linnane@searshc.com>>;

>> Koreis, Thomas

>> <Thomas.Koreis@searshc.com<mailto:Thomas.Koreis@searshc.com>>;

>> mmeghji@miiipartners.com<mailto:mmeghji@miiipartners.com>;

>> bgriffith@miiipartners.com<mailto:bgriffith@miiipartners.com>;

>> cgood@miiipartners.com<mailto:cgood@miiipartners.com>

>> Subject: RE: Prelim Daily Cash Forecast 11.1.2018

>>

>> When we cover liquidity during today's board meeting it would be very helpful to understand the change from the 10/31 to the 11/1 report. This is critically important as the board assesses the cash needs for the company in the current environment.

>>

>> - What were the sales assumptions by day (inflows) in the 10/31 report which reflected lower receipts

>> - What are the sales assumptions by day (inflows) in the 11/1 report that now reflect \$150M higher of receipts/disbursements

>> o There is a notation regarding -15% SSS and now we are assuming that to be flat. Would like to see that change by day in dollars.

>> - Please provide a bridge that shows the change in the DIP Availability from -33 to -165 for Feb 1st. Trying to understand the math behind adding \$150M in receipts/disbursements based on a more favorable sales trend assumption and how that leads to less availability. DIP BB only increases by \$1M and BS Inventory only increases by \$18M comparing Feb 1 b/w the two reports. Assume that means that we procure the inventory and sell through it fairly quickly which should be liquidity positive but the report suggests otherwise.

>> - Please confirm that the "142 unannounced store closures" in the commentary is a typo and should be "142 previously announced store closures".

>>

>> Thank You.

>>

>> From: Prakash, Rajat

>> <Rajat.Prakash@searshc.com<mailto:Rajat.Prakash@searshc.com>>

>> Sent: Thursday, November 1, 2018 11:06 PM

>> To: Eddie <Eddie@eslinvest.com<mailto:Eddie@eslinvest.com>>; Riecker,

>> Rob <Rob.Riecker@searshc.com<mailto:Rob.Riecker@searshc.com>>; Sinha,

>> Naren <Naren.Sinha@searshc.com<mailto:Naren.Sinha@searshc.com>>;

>> Phelan, Robert

>> <Robert.Phelan@searshc.com<mailto:Robert.Phelan@searshc.com>>;

>> Linnane, William

>> <William.Linnane@searshc.com<mailto:William.Linnane@searshc.com>>;

>> Koreis, Thomas

>> <Thomas.Koreis@searshc.com<mailto:Thomas.Koreis@searshc.com>>; Kunal

>> Kamalani <kunal@eslinvest.com<mailto:kunal@eslinvest.com>>;

>> mmeghji@miiipartners.com<mailto:mmeghji@miiipartners.com>;

>> bgriffith@miiipartners.com<mailto:bgriffith@miiipartners.com>;

>> cgood@miiipartners.com<mailto:cgood@miiipartners.com>;
>> nweber@miiipartners.com<mailto:nweber@miiipartners.com>; Joseph
>> Frantz <jfrantz@miiipartners.com<mailto:jfrantz@miiipartners.com>>;
>> miiipartners.com<https://na01.safelinks.protection.outlook.com/?url=h
>> ttp%3A%2F%2Fmiiipartners.com&data=02%7C01%7CRajat.Prakash%40sears
>> hc.com%7Cc03ba6c38f1143c2826508d641252d83%7C27e4c16803234463acad7e124
>> b566726%7C0%7C0%7C636768025291473438&sdata=BwZ8yzxRZQU83b%2FKDvlt
>> VdeXubFsSDm8JqCOO5g9Ri4%3D&reserved=0>,sima
>> <wsima@miiipartners.com<mailto:wsima@miiipartners.com>>; Daniel Allan
>> <dallan@miiipartners.com<mailto:dallan@miiipartners.com>>
>> Cc: Wells, Paris
>> <Paris.Wells@searshc.com<mailto:Paris.Wells@searshc.com>>;
>> Avitia-Guzman, Jaqueline
>> <Jaqueline.Avitia-Guzman@searshc.com<mailto:Jaqueline.Avitia-Guzman@s
>> earshc.com>>; Joye, Jennifer
>> <Jenny.Joye@searshc.com<mailto:Jenny.Joye@searshc.com>>; Hutka,
>> Jeffrey
>> <Jeffrey.Hutka@searshc.com<mailto:Jeffrey.Hutka@searshc.com>>;
>> Espinosa, Daniel
>> <Daniel.Espinosa@searshc.com<mailto:Daniel.Espinosa@searshc.com>>;
>> Wehby, Andrew
>> <Andrew.Weby@searshc.com<mailto:Andrew.Weby@searshc.com>>; Khan,
>> Aziz <Aziz.Khan@searshc.com<mailto:Aziz.Khan@searshc.com>>; Liu, Lu
>> <Lu.Liu@searshc.com<mailto:Lu.Liu@searshc.com>>; Prakash, Rajat
>> <Rajat.Prakash@searshc.com<mailto:Rajat.Prakash@searshc.com>>
>> Subject: Prelim Daily Cash Forecast 11.1.2018
>>
>> All,
>>
>> Attached is the preliminary daily cash forecast.
>>
>> Key Callouts:
>>
>> * We are now tracking variances to budget on a daily, weekly, and monthly basis
>> * Attached incorporates \$(150) M higher merchandise disbursements in Q4 compared to yesterday's cash forecast
>>
>> * This is primarily driven by aligning with the flat comp store sales assumption to be consistent with the sales
forecast. Until yesterday, merchandise disbursements were based on a (15)% comp store sales assumptions per the DIP
budget
>> * Additionally, the merchandise disbursements here assumes no inventory replenishment for 142 unannounced
store closures
>> * While the DIP revolver is capped at \$188 M, DIP revolver balance reflects total cash need
>>
>> * The total AP Balance beginning 11-1-2018 is:
>>
>> * Merch: 29.2
>> * Non-merch: 11.4
>>
>> Key Assumptions:
>>
>> * Available cash is used to pay down the revolver Nov 15th onward after the second order approval
>> * Forecast assumes interest payments on prepetition ABL debt, FILO, and UBS loan
>> =====

>> =====

>> I. October

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>>

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>>

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>>

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>> Total Cash

>>

>> Prepetition 1L Debt

>>

>> DIP Term Loan

>>

>> DIP Revolver

>>

>> Net Debt

>>

>> As of: October 31, 2018

>>

>> 749

>>

>> 1,530

>>

>> 112

>>

>> 0

>>

>> 893

>>

>>

>>

>> Change to Month End Estimate

>>

>> +21

>>

>> 0

>>

>> 0

>>

>> 0

>>

>> -21

>>

>> As of: November 1, 2018

>>

>> 770

>>

>> 1,530

>>

>> 112

>>

>> 0

>>

>> 872

>>

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>> Daily Variances (and treatment through rest of month):

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>> Today

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>>
>> Timing
>>
>> Forecast
>>
>> Permanent
>>
>>
>>
>>
>> Prior Day Available Cash Estimate
>>
>> +317
>>
>>
>>
>>
>>
>>
>>
>>
>>
>>
>>
>>
>>
>>
>>
>>
>>
>>
>> Cash Inflows
>>
>> +1
>>
>> -1
>>
>> -1
>>
>> -1
>>
>> Merch/Non-Merch Disbursements
>>
>> +21
>>
>> -21
>>
>> +20
>>
>> +20
>>
```

>> Logistics
>>
>> +.3
>>
>> -.3
>>
>> 0
>>
>> 0
>>
>> Western Union
>>
>> 0
>>
>> 0
>>
>> +1
>>
>> +1
>>
>> Logistics
>>
>> 0
>>
>> 0
>>
>> +3
>>
>> +3
>>
>> Lands' End
>>
>> +3
>>
>> -3
>>
>> -1
>>
>> -1
>>
>> Cardinal Rebate
>>
>> 0
>>
>> 0
>>
>> -2
>>
>> -2
>>
>> Sales taxes/State taxes
>>
>> -1

>>
>> +1
>>
>> -1
>>
>> -1
>>
>> Payroll/ Taxes/ Benefits
>>
>> -.2
>>
>> +.2
>>
>> +2
>>
>> +2
>>
>> Total Operating
>>
>> +25
>>
>> -25
>>
>> +21
>>
>> +21
>>
>>
>>
>>
>>
>>
>>
>>
>>
>>
>>
>> Misc Cash
>>
>> 0
>>
>> 0
>>
>> 0
>>
>> 0
>>
>> 0
>>
>> Revolver
>>
>> 0
>>
>> 0
>>
>> 0
>>

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>>

>> Available Cash Balance

>>

>> 342

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>> Operating Comments:

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>> - Today's cash inflows +1.2 to forecast

>>

>> - Merch/Non Merch Disbursements +21.4 treated as timing

>>

>> - Logistics +0.3 treated as timing

>>

>> - Payroll/ Taxes/ Benefits -0.2 treated as timing

>>

>> - Lands' End +3.4 treated as timing

>>

>> - Sales taxes/State taxes -1 treated as timing

>>

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>> Financing Comments:

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>> - Commercial Paper flat to forecast

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>> - Revolver flat to forecast

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>> II. November

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>> Total Cash

>>
>> Prepetition 1L Debt
>>
>> DIP Term Loan
>>
>> DIP Revolver
>>
>> Net Debt
>>
>>
>>
>> As of: October 31, 2018
>>
>> 476
>>
>> 991
>>
>> 112
>>
>> 0
>>
>> 626
>>
>>
>>
>> Change to November's Month End Estimate
>>
>> 0
>>
>> +32
>>
>> 0
>>
>> +7
>>
>> +39
>>
>>
>>
>> As of: November 1, 2018
>>
>> 476
>>
>> 1,023
>>
>> 112
>>
>> 7
>>
>> 666
>>
>>
>>

>>
>> Daily Variances (and treatment through rest of month):
>>
>>
>>
>> Permanent
>>
>>
>> October Operating Changes
>>
>> +21
>>
>> November Operating Changes
>>
>> -60
>>
>> Total Operating
>>
>> -39
>>
>>
>> October Financing Changes
>>
>> 0
>>
>>
>>
>> November Financing Changes
>>
>> +7
>>
>>
>>
>> Total Financing
>>
>> +7
>>
>>
>>
>>
>> Total Cash Flow Changes Thru November Month End
>>
>> -32
>>
>>
>>
>> Rajat Prakash
>> Sears Holdings Corporation
>> Treasury
>> 847.286.2288
>>

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>>

>> <DIP Availability Recon.xlsx>

>>

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EXHIBIT C

From: Mohsin Meghji
To: Prakash, Rajat
Subject: Re: Prelim Daily Cash Forecast 11.1.2018
Date: Friday, November 2, 2018 7:45:40 PM

We should def figure out how to bring cash
in regional banks back to hq even if it involves
some expense

Mo Meghji
M-III Partners, L.P.
130 West 42nd Street, 17th Floor
New York, NY 10036

212 716 1492 (o)
516 851 8266 (c)

On Nov 2, 2018, at 8:34 PM, Prakash, Rajat <Rajat.Prakash@searshc.com> wrote:

Kunal,

Please see the specific components of Unavailable Cash followed by some callouts:

<!--[if !supportLists]--><!--[endif]-->Cash in escrow	\$281 M
<!--[if !supportLists]--><!--[endif]-->Credit card receivables	60
<!--[if !supportLists]--><!--[endif]-->Cash posted as collateral	5
<!--[if !supportLists]--><!--[endif]-->Invested Cash	12
<!--[if !supportLists]--><!--[endif]-->Cash in regional banks	59
<!--[if !supportLists]--><!--[endif]-->Cash in stores	20
<!--[if !supportLists]--><!--[endif]-->Total Unavailable Cash (11/2)	\$437 M

Key Callouts:

<!--[if !supportLists]--><!--[endif]-->Total cash on the balance sheet is a GAAP metric and therefore credit card receivables are included here
<!--[if !supportLists]--><!--[endif]-->We can only have exact visibility into this as frequently as company's books close, which is once a month
<!--[if !supportLists]--><!--[endif]-->Fiscal October closed today, and the preliminary balance sheet should be available around Nov 9th, which is when we will have exact balances of all these components as of Nov 2nd
<!--[if !supportLists]--><!--[endif]-->All intra month components (excl. Cash in escrow) are estimates, however Cash posted as Collateral, Invested Cash, and Cash in Stores, generally tend to remain stable at the levels shown above
<!--[if !supportLists]--><!--[endif]-->We will look into freeing up cash in the collateral & investment buckets
<!--[if !supportLists]--><!--[endif]-->Cash in regional banks and stores could potentially be freed up by working with armored cars, banks, etc. but it might require additional expense

Thanks,

Rajat Prakash
Sears Holdings Corporation
Treasury
847.286.2288

From: Kunal Kamrani [<mailto:kunal@eslinvest.com>]
Sent: Friday, November 02, 2018 4:18 PM
To: mmeghji@milipartners.com; Prakash, Rajat <Rajat.Prakash@searshc.com>
Cc: eddie@eslinvest.com; Riecker, Rob <Rob.Riecker@searshc.com>; Sinha, Naren <Naren.Sinha@searshc.com>; Phelan, Robert <Robert.Phelan@searshc.com>; Linnane, William <William.Linnane@searshc.com>; Koreis, Thomas <Thomas.Koreis@searshc.com>; bgriffith@milipartners.com; cgood@milipartners.com; nweber@milipartners.com; Joseph Frantz <jfrantz@milipartners.com>
Subject: RE: Prelim Daily Cash Forecast 11.1.2018

The question I have is with respect to what we are assuming our free cash is today that is baked into the Liquidity forecast. As of yesterday we had:

Avail Cash 333
Unavail 437
In the Unavail is Pension Escrow of 280, so that leaves 157 of remaining unavailable.

As we close stores some of that 157 will shake loose. There may be components of the 157 that we do have access to. Trying to figure out what the real starting cash number is....its 333 + ??

KSK

From: Mohsin Meghji <mmeghji@milipartners.com>
Sent: Friday, November 2, 2018 4:56 PM
To: Prakash, Rajat <Rajat.Prakash@searshc.com>
Cc: Kunal Kamrani <kunal@eslinvest.com>; Eddie <Eddie@eslinvest.com>; rob.riecker <rob.riecker@searshc.com>; naren.sinha <naren.sinha@searshc.com>; Phelan, Robert <Robert.Phelan@searshc.com>; Linnane, William <William.Linnane@searshc.com>; Koreis, Thomas <Thomas.Koreis@searshc.com>; Brian Griffith <bgriffith@milipartners.com>; Chris Good <cgood@milipartners.com>; Nicholas Weber <nweber@milipartners.com>; Joseph Frantz <jfrantz@milipartners.com>
Subject: Re: Prelim Daily Cash Forecast 11.1.2018

Brian,
Can you and Rajat and Joseph pls get Kunal
everything he needs on liquidity scenarios we ran
and showed this pm?

Critical we have flushed any data discrepancies
out before early next week. Thx

Mo Meghji
M-III Partners, L.P.
130 West 42nd Street, 17th Floor
New York, NY 10036

212 716 1492 (o)
516 851 8266 (c)

On Nov 2, 2018, at 4:22 PM, Prakash, Rajat <Rajat.Prakash@searshc.com> wrote:

Kunal,

Following up on the email exchange this morning.

Attached is the Feb 1 Dip Availability reconciliation between 10/31 & 11/1 daily cash forecasts. Merchandise disbursements forecast in the 11/1 daily cash forecast caught up with the inventory assumptions driving the sales forecast.

Naren & MIII are working on the by-day change in sales going from (15)% to flat comp sales, per your highlighted request below.

Let us know of any questions.

Thanks,

Rajat Prakash
Sears Holdings Corporation
Treasury
847.286.2288

From: Kunal Kamani [mailto:kunal@eslinvest.com]

Sent: Friday, November 02, 2018 7:15 AM

To: Prakash, Rajat <Rajat.Prakash@searshc.com>; eddie@eslinvest.com; Riecker, Rob <Rob.Riecker@searshc.com>; Sinha, Naren <Naren.Sinha@searshc.com>; Phelan, Robert <Robert.Phelan@searshc.com>; Linnane, William <William.Linnane@searshc.com>; Koreis, Thomas <Thomas.Koreis@searshc.com>; mmeghji@miiipartners.com; bgriffith@miiipartners.com; cgood@miiipartners.com

Subject: RE: Prelim Daily Cash Forecast 11.1.2018

When we cover liquidity during today's board meeting it would be very helpful to understand the change from the 10/31 to the 11/1 report. This is critically important as the board assesses the cash needs for the company in the current environment.

<!--[If IsupportLists]--> <!--[endif]-->What were the sales assumptions by day (inflows) in the 10/31 report which reflected lower receipts
<!--[If IsupportLists]--> <!--[endif]-->What are the sales assumptions by day (inflows) in the 11/1 report that now reflect \$150M higher of receipts/disbursements
<!--[If IsupportLists]--> <!--[endif]-->There is a notation regarding -15% SSS and now we are assuming that to be flat. Would like to see that change by day in dollars.
<!--[If IsupportLists]--> <!--[endif]-->Please provide a bridge that shows the change in the DIP Availability from -33 to -165 for Feb 1st. Trying to understand the math behind adding \$150M in receipts/disbursements based on a more favorable sales trend assumption and how that leads to less availability. DIP BB only increases by \$1M and BS Inventory only increases by \$18M comparing Feb 1 b/w the two reports. Assume that means that we procure the inventory and sell through it fairly quickly which should be liquidity positive but the report suggests otherwise.
<!--[If IsupportLists]--> <!--[endif]-->Please confirm that the "142 unannounced store closures" in the commentary is a typo and should be "142 previously announced store closures".

Thank You.

From: Prakash, Rajat <Rajat.Prakash@searshc.com>

Sent: Thursday, November 1, 2018 11:06 PM

To: Eddie <Eddie@eslinvest.com>; Riecker, Rob <Rob.Riecker@searshc.com>; Sinha, Naren <Naren.Sinha@searshc.com>; Phelan, Robert <Robert.Phelan@searshc.com>; Linnane, William <William.Linnane@searshc.com>; Koreis, Thomas <Thomas.Koreis@searshc.com>; Kunal Kamani <kunal@eslinvest.com>; mmeghji@miiipartners.com; bgriffith@miiipartners.com; cgood@miiipartners.com; nweber@miiipartners.com; Joseph Frantz <jfrantz@miiipartners.com>; miiipartners.com; sima <wsima@miiipartners.com>; Daniel Allan <dallan@miiipartners.com>
Cc: Wells, Paris <Paris.Wells@searshc.com>; Avitia-Guzman, Jaqueline <Jaqueline.Avitia-Guzman@searshc.com>; Joye, Jennifer <jenny.joye@searshc.com>; Hutka, Jeffrey <Jeffrey.Hutka@searshc.com>; Espinosa, Daniel <Daniel.Espinosa@searshc.com>; Wehby, Andrew <Andrew.Weby@searshc.com>; Khan, Aziz <Aziz.Khan@searshc.com>; Liu, Lu <Lu.Liu@searshc.com>; Prakash, Rajat <Rajat.Prakash@searshc.com>

Subject: Prelim Daily Cash Forecast 11.1.2018

All,

Attached is the preliminary daily cash forecast.

Key Callouts:

- We are now tracking variances to budget on a daily, weekly, and monthly basis
- Attached incorporates \$(150) M higher merchandise disbursements in Q4 compared to yesterday's cash forecast
 - This is primarily driven by aligning with the flat comp store sales assumption to be consistent with the sales forecast. Until yesterday, merchandise disbursements were based on a (15)% comp store sales assumptions per the DIP budget
 - Additionally, the merchandise disbursements here assumes no inventory replenishment for 142 unannounced store closures
 - While the DIP revolver is capped at \$188 M, DIP revolver balance reflects total cash need
- The total AP Balance beginning 11-1-2018 is:
 - Merch: 29.2
 - Non-merch: 11.4

Key Assumptions:

- Available cash is used to pay down the revolver Nov 15th onward after the second order approval
- Forecast assumes interest payments on prepetition ABL debt, FIO, and UBS loan

=====

I. October

	Total Cash	Prepetition 1L Debt	DIP Term Loan	DIP Revolver	Net Debt
As of: October 31, 2018	749	1,530	112	0	893
Change to Month End Estimate	+21	0	0	0	-21
As of: November 1, 2018	770	1,530	112	0	872

Daily Variances (and treatment through rest of month):

	Today	Timing	Forecast	Permanent
Prior Day Available Cash Estimate	+317			
Cash Inflows	+1	-1	-1	-1
Merch/Non-Merch Disbursements	+21	-21	+20	+20
Logistics	+3	-3	0	0
Western Union	0	0	+1	+1
Logistics	0	0	+3	+3
Lands' End	+3	-3	-1	-1
Cardinal Rebate	0	0	-2	-2
Sales taxes/State taxes	-1	+1	-1	-1
Payroll/ Taxes/ Benefits	-2	+2	+2	+2
Total Operating	+25	-25	+21	+21
Misc Cash	0	0	0	0
Revolver	0	0	0	0
Total Financing	0	0	0	0
Available Cash Change	+25	-25	+21	+21
Available Cash Balance	342			

Operating Comments:

- Today's cash inflows +1.2 to forecast
- Merch/Non Merch Disbursements +21.4 treated as timing
- Logistics +0.3 treated as timing
- Payroll/ Taxes/ Benefits -0.2 treated as timing
- Lands' End +3.4 treated as timing
- Sales taxes/State taxes -1 treated as timing

Financing Comments:

- Commercial Paper flat to forecast
- Revolver flat to forecast

=====

II. November

	Total Cash	Prepetition 1L Debt	DIP Term Loan	DIP Revolver	Net Debt
As of: October 31, 2018	476	991	112	0	626
Change to November's Month End Estimate	0	+32	0	+7	+39
As of: November 1, 2018	476	1,023	112	7	666

Daily Variances (and treatment through rest of month):

	Permanent
October Operating Changes	+21
November Operating Changes	-60
Total Operating	-39
October Financing Changes	0
November Financing Changes	+7
Total Financing	+7
Total Cash Flow Changes Thru November Month End	-32

Rajat Prakash
Sears Holdings Corporation
Treasury
847.286.2288

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<DIP Availability Recon.xlsx>

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